Triodos Investment Management

CREE INC

MEETING DATE	Mon, 26 Oct 2020 12:00	TYPE	AGM	ISSUE DATE	Mon, 12 Oct 2020
MEETING LOCATION	Executive Conference Center, 4408 Silicon Drive, Durham, North Carolina 27703, Virtual Meeting: www.virtualshareholdermeeting.com/CREE2020				
CURRENT INDICES	PIRC Global				
SECTOR	Semiconductors and related devices				
FYE	30 Aug 2020				

	PROPOSALS	ADVICE
1.01	**Elect Director Glenda M. Dorchak** Independent Non-Executive Director.	**For**
1.02	**Elect John C. Hodge** Independent Non-Executive Director.	**For**
1.03	**Elect Clyde R. Hosein** Non-Executive Director. Not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the Board.	**For**
1.04	**Elect Darren R. Jackson** Independent Non-Executive Chair.	**For**
1.05	**Elect Duy-Loan T. Le** Independent Non-Executive Director.	**For**
1.06	**Elect Gregg A. Lowe** Chief Executive.	**For**
1.07	**Elect John B. Replogle** Independent Non-Executive Director. There are concerns over the director's potential time commitments, and the director could not prove full attendance of board and committee meetings during the year.	**Withhold**
1.08	**Elect Thomas H. Werner** Non-Executive Director. Not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the Board.	**For**
1.09	**Elect Anne C. Whitaker** Independent Non-Executive Director.	**For**
2	**Approve All Employee Option/Share Scheme** The Board of Directors adopted the ESPP on August 24, 2020, subject to the approval of the shareholders. The ESPP will provide employees of the company and its majority-owned subsidiaries with an incentive and opportunity to purchase common stock through payroll deductions at a price that is equal to 85% of the fair market value of the common stock of the company on the first day of the twelve-month participation period or the purchase date, whichever is lower, plus taxes, if any, imposed on the transaction. If approved, the company would be authorized to issue up to 6,000,000 shares of common stock of the company pursuant to the ESPP. The ESPP would succeed the company's 2005 Employee Stock Purchase Plan, or the Prior ESPP, which will terminate by its terms on November 3, 2020. It is considered that it is in the best interests of the company and its shareholders to provide employees with an opportunity to benefit from business success and increase their share ownership through payroll deductions. As the Plan is open to the majority of employees and is capped at purchase price of no less than 85% of fair market value, support is recommended.	**For**

3 Appoint the Auditors **For**

PwC proposed. Non-audit fees represented 3.35% of audit fees during the year under review and 4.16% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor.

4 Advisory Vote on Executive Compensation **Oppose**

The company has submitted a proposal for shareholder ratification of its executive compensation policy and practices. The voting outcome for this resolution reflects the balance of opinion on the adequacy of disclosure, the balance of performance and reward and the terms of executive employment.

The company uses adjusted performance metrics for most elements of compensation. The use of non-GAAP metrics prevents shareholders from being able to assess fully whether the performance targets are sufficiently challenging. The company does not consider non-financial metrics in its assessment of performance. The company uses only one performance metrics to determine the payout of performance awards. Instead of the use of a sole performance metric, it would be preferred that payout be linked to at least two or more performance metrics, with the inclusion of non-financial performance criteria. Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. Retention awards make up a significant portion of the long-term incentives and therefore the scheme does not link pay to performance. The minimum performance period prior to vesting is less than three years, which is considered to be short term.

The compensation rating is: ADB

Triodos opposes this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 4 - Advisory Vote on Executive Compensation

Disclosure: A - The company has failed to provide the fees it paid the Compensation Consultants. The disclosure of these fees is encouraged in the interests of greater transparency. The peer groups used for the purpose of pay comparison have been fully disclosed by the company. The grant of performance awards was based on the achievement of set levels of specific performance targets. The performance-based long term incentive is subject to quantified performance targets.

Balance: D - The company uses adjusted performance metrics for most elements of compensation. The use of non-GAAP metrics prevents shareholders from being able to assess fully whether the performance targets are sufficiently challenging. The company does not consider non-financial metrics in its assessment of performance. The company uses only one performance metrics to determine the payout of performance awards. Instead of the use of a sole performance metric, it would be preferred that payout be linked to at least two or more performance metrics, with the inclusion of non-financial performance criteria. Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. Retention awards make up a significant portion of the long-term incentives and therefore the scheme does not link pay to performance. The minimum performance period prior to vesting is less than three years, which is considered to be short term. Five-year vesting would be preferred. Executive compensation is aligned with peer group averages. In addition, executive compensation is not aligned with companies of a similar market cap.

Contract: B - Cash severance is limited to three times base salary; which is welcomed. Change-in-control payments are subject to double-trigger provisions. 'Good reason' is not defined appropriately, such that the Remuneration Committee is able to apply discretion when determining the status of a departing executive. Equity awards are subject to pro-rata vesting, which is line with best practice. The company does not have an appropriate clawback policy in place as it only allows for the recoupment of payment if in the event of misconduct by an officer.

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